



STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

BRIDGESPAN HEALTH COMPANY

of

Salt Lake City, Utah

as of

December 31, 2020



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April 6, 2022

Honorable Jonathan T. Pike, Commissioner
Utah Insurance Department
4315 S. 2700 West, Ste. 2300
Taylorsville, Utah 84129

Commissioner:

Pursuant to your instructions and in compliance with Utah Code § 31A-2-204, an examination, as of December 31, 2020, has been made of the financial condition and business affairs of:

BRIDGESPAN HEALTH COMPANY
Salt Lake City, Utah

hereinafter referred to in this report as “the Company” and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

Representatives of the Utah Insurance Department (Department) have performed a full scope examination of the Company. This examination covers the period of January 1, 2018, through December 31, 2020, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The purpose of this examination is to assess the financial condition of the Company and its holding company system. The examination was part of a coordinated examination led by representatives from Division of Financial Regulation of Oregon Department of Consumer & Business Services. Also participating in the examination were insurance department representatives from Idaho and Washington.

Examination Procedures Employed

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls

and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination, however, does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Financial Statements section of this report.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other insurance regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

There were no significant findings for inclusion in this examination report.

COMPANY HISTORY

General

The Company, under the name HealthWise, was incorporated on August 10, 1982, under the laws of Utah as a capital stock, for-profit Health Maintenance Organization. The Company commenced business on September 1, 1982, and received its Federal Certificate of Qualification on August 8, 1984. On September 21, 2012, the Company changed its name from HealthWise to BridgeSpan Health Company.

In 1986, Regence BlueCross BlueShield of Utah (RBCBSU) owned 100% of the outstanding stock of the Company. As of the examination date, the Company was 44.7% owned by Regence BlueShield (RBS), 19.2% owned by Regence BlueCross BlueShield of Oregon (RBCBSO), 17% owned by RBCBSU, and 19.1% owned by Regence BlueShield of Idaho, Inc. (RBSI). RBS, RBCBSO, RBCBSU, and RBSI are collectively owned by Cambia Health Solutions, Inc. (Cambia). As such, Cambia is the ultimate parent company.

Mergers and Acquisitions

No mergers and acquisitions took place during the examination period.

Dividends and Capital Contributions

No stockholder dividends were declared or paid during the examination period. There were also no capital contributions received during the examination period.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Board of Directors

The Company's bylaws state that the number of directors shall be no less than three (3). The following persons served as directors of the Company as of December 31, 2020:

Name and Location	Primary Occupation
James J. Swayze* Salt Lake City, Utah	President Regence BlueCross BlueShield of Utah
Stacy J. Simpson Portland, Oregon	VP Strategic Finance Cambia Health Solutions, Inc.
Thomas J. Hartford, III** Murray, Utah	Senior Associate General Counsel Cambia Health Solutions, Inc.

* Astrid Segovia Tuminez, Ph.D. replaced James J. Swayze effective October 8, 2021.

** Stephen D. Foxley replaced Thomas J. Hartford, III effective July 14, 2021.

Committees

The Company's bylaws indicate there shall be no standing committees; however, Directors may appoint Special Committees as needed, but only for a limited duration. The Company falls outside of the purview of Utah Code § 3 IA-5-412(2) requiring an audit committee due to the makeup of the ownership of the organization; therefore, no audit committee has been created. Instead, the Company relies on the governance of the Audit Committee of the ultimate controlling entity, Cambia.

Officers

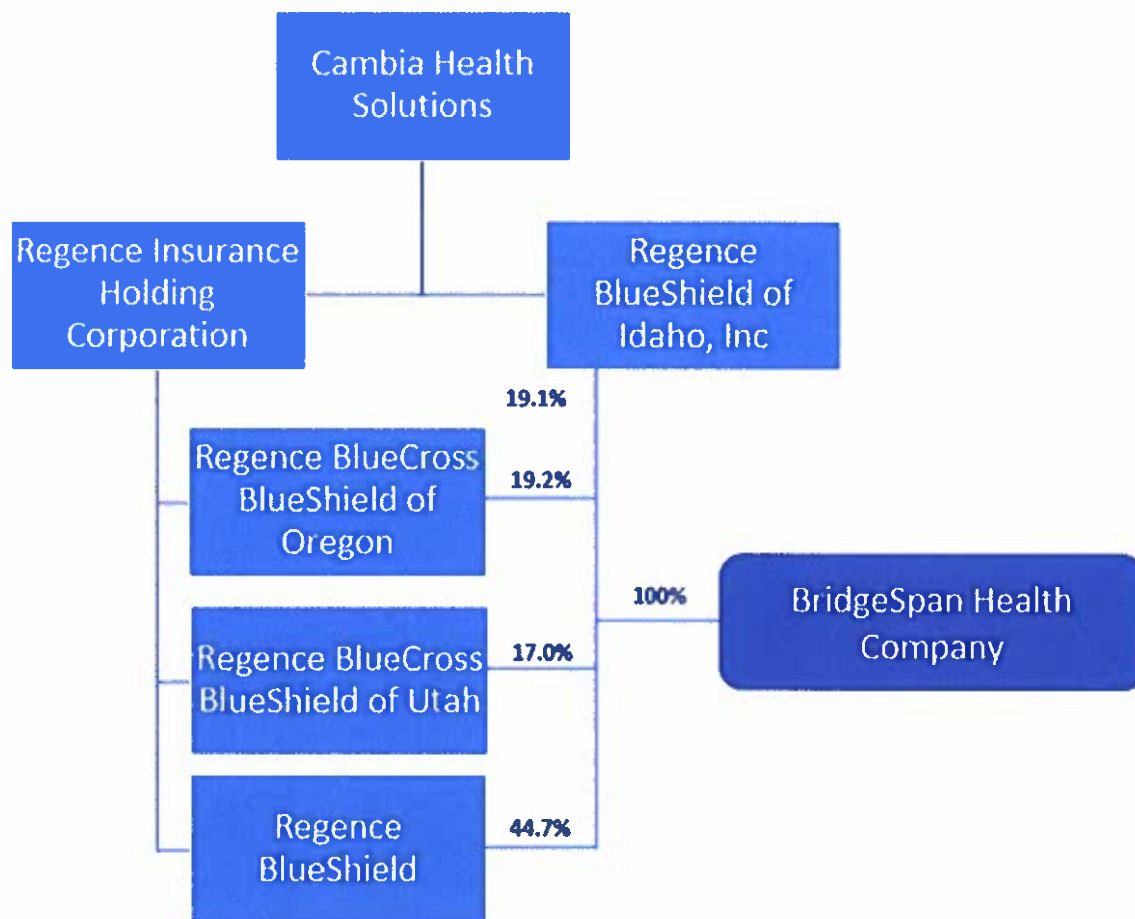
The following persons served as officers of the Company as of December 31, 2020:

Name	Title
Christopher G. Blanton	President
Andreas B. Ellis	Treasurer
Thomas J. Hartford, III*	Secretary

* Russell Sherman Collins replaced Thomas J. Hartford, III effective July 9, 2021.

Holding Company

The Company is part of a holding company system as defined in Utah Code § 3 IA-16. The ultimate controlling entity of the holding company is Cambia. There are numerous companies within the holding company system, however, only entities with direct relationship with the Company are included in the organizational chart below.



Transactions and Agreements with Affiliates

The following agreement was in place as of December 31, 2020:

1. The Company entered into a consolidated tax allocation agreement in September of 2000 with its affiliates and parent organization, setting forth the arrangement to allocate consolidated tax liability among the parties. The agreement apportions the tax liability of the parties during consolidation return years as prescribed in Treasury Regulation sections 1.1502-2 and 1.1502-79.

2. The Company entered into a shareholders agreement, effective December 2, 2013, in which the shares of the Company were divided between Regence BlueCross BlueShield of Utah, which had been the sole shareholder, and Regence BlueCross BlueShield of Oregon, Regence BlueCross BlueShield of Washington, and Regence BlueCross BlueShield of Idaho. The agreement stipulates that the shareholders will be petitioned for periodic capital contributions, as needed.

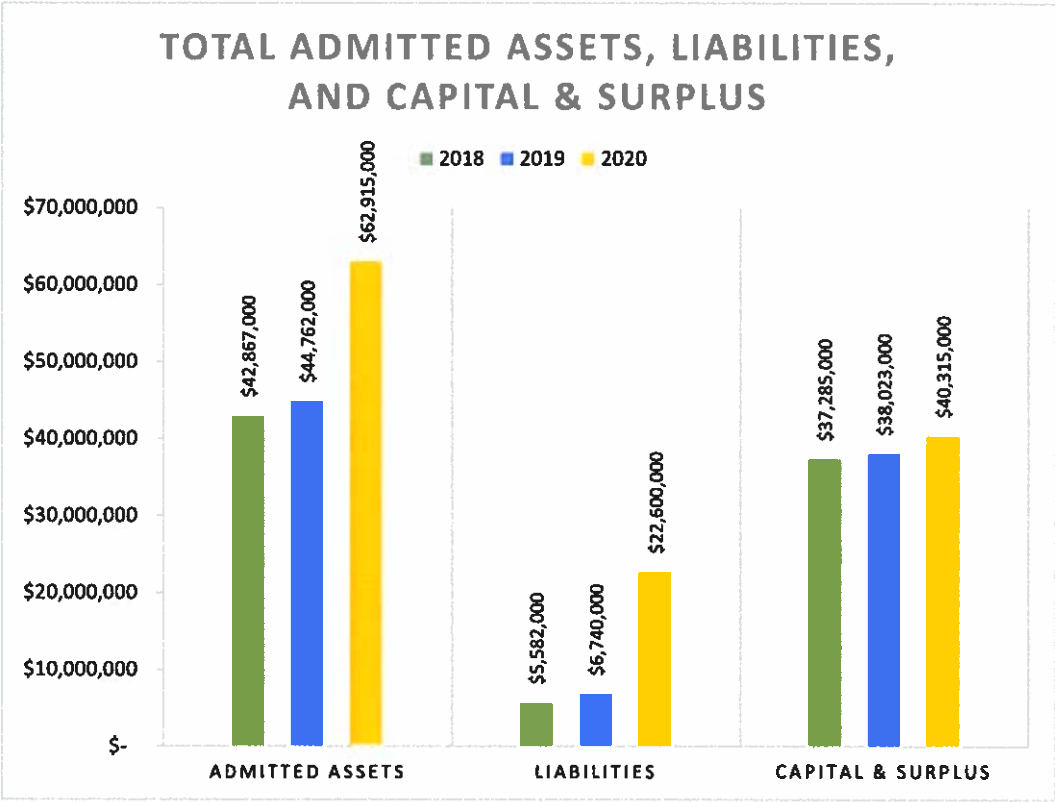
TERRITORY AND PLAN OF OPERATIONS

The Company was formed to offer individual health insurance products through the exchanges in Idaho, Oregon, Utah, and Washington, tailoring to the needs of individuals while expanding into the Northwest. The Company remains focused on writing exchange business and have no plans to expand beyond this model at this time. During 2020, the Company increased membership in the healthcare marketplace from 1,748 members as of December 31, 2019, to 5,161 members as of December 31, 2020.

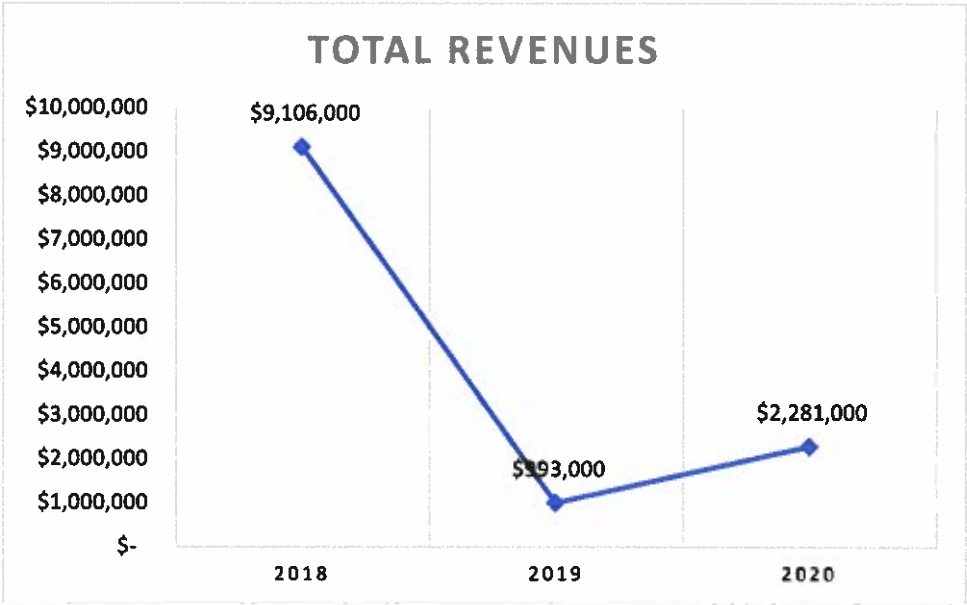
GROWTH OF COMPANY

During the examination period, as the Company reduced its individual business on the marketplace in Oregon, Washington, and Idaho, total revenue sharply decreased as did total hospital and medical expense. The decrease in expense, however, led to an increase in profitability with net underwriting gains increasing from \$339,000 in 2019, to \$14.1 million in 2020, and total net income increasing from a net loss of \$993,000 in 2019, to \$2.3 million in 2020.

The following graphs illustrate the growth of the Company during the examination period:



Sources: 2018-2020 Annual Statements



Sources: 2018-2020 Annual Statements

REINSURANCE

Assumed

The Company did not have any assumed reinsurance.

Ceded

Effective January 5, 2015, the Company and a number of its affiliates entered into an Excess of Loss Reinsurance Contract with HM Life Insurance Company. The arrangement reinsures the Company against high dollar claims incurred in excess of the Company's retention of \$2 million ultimate net loss. The reinsurance agreement was subsequently terminated on December 31, 2018.

Effective January 1, 2019, the Company and a number of other Cambia affiliates ceded high-dollar claims incurred in excess of \$3.5 million retention of its ultimate net loss to QBE Re.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2020. The accompanying COMMENTS ON FINANCIAL STATEMENTS (if any) reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

**BRIDGESPAN HEALTH COMPANY
BALANCE SHEET**

as of December 31, 2020

ASSETS

	<u>Net Admitted Assets</u>
Bonds	\$ 35,745,284
Cash, cash equivalents, and short-term investments	22,441,101
Receivables for securities	164
Investment income due and accrued	142,411
Uncollected premiums and agents' balances in the course of collection	127,653
Accrued retrospective premiums and contracts subject to redetermination	66,638
Amounts recoverable from reinsurers	1,124,968
Net deferred tax asset	308,034
Receivables from parent, subsidiaries and affiliates	2,211,352
Health care and other amounts receivable	747,207
Premium Tax Recoverable	77
Total Assets	<u>\$ 62,914,889</u>

LIABILITIES, SURPLUS, AND OTHER FUNDS

	<u>Current Year</u>
Claims unpaid	\$ 2,822,247
Accrued medical incentive pool and bonus amounts	1,957,936
Unpaid claims adjustment expenses	74,154
Aggregate health policy reserves, including MLR rebate	2,080,198
Premiums received in advance	384,673
General expenses due or accrued	958,462
Current income tax payable and interest thereon on realized capital gains	2,056,465
Ceded reinsurance premiums payable	1,298
Remittances and items not allocated	336,396
Amounts due to parent, subsidiaries and affiliates	598,968
Aggregate write-ins for other liabilities	11,329,094
Total Liabilities	<u>22,599,891</u>
Common capital stock	53,062,640
Unassigned funds (surplus)	(12,747,642)
Total Capital and Surplus	<u>40,314,998</u>
Total Liabilities, Capital and Surplus	<u>\$ 62,914,889</u>

BRIDGESPAN HEALTH COMPANY
STATEMENT OF REVENUE AND EXPENSES
for the Year-Ended December 31, 2020

REVENUE:	Current Year
Net premium income	\$ 42,848,034
Total Revenue	<u>42,848,034</u>
HOSPITAL AND MEDICAL EXPENSES:	
Hospital/medical benefits	14,189,780
Other professional services	878,754
Outside referrals	61,160
Emergency room and out-of-area	4,381,226
Prescription drugs	4,084,452
Incentive pool, withhold adjustments and bonus amounts	1,383,239
Total Hospital and Medical	<u>24,978,611</u>
GENERAL AND ADMINISTRATIVE EXPENSES:	
Net reinsurance recoveries	1,899,745
Claims adjustment expenses	1,036,755
General administrative expenses	4,251,692
Total underwriting deductions	28,367,313
Net underwriting gain	<u>14,480,721</u>
Net investment income earned	699,915
Net realized capital gains	262,382
Net investment gains	<u>962,297</u>
Net loss from agent's or premium balances charged off	(53,352)
Other expense	(11,328,189)
Net income after capital gains, before federal income taxes	<u>4,061,476</u>
Federal and foreign income taxes incurred	1,780,521
Net Income	<u>\$ 2,280,955</u>

BRIDGESPAN HEALTH COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS

2018 through 2020

	2018	2019	2020
Capital and surplus prior reporting year	\$ 27,316,468	\$ 37,285,033	\$ 38,022,543
Net income	9,106,258	993,221	2,280,955
Change in net unrealized capital gains (losses)	47	36	1
Change in net deferred income tax	(1,960,622)	149,075	897,962
Change in nonadmitted assets	2,822,882	(404,822)	(886,463)
Net change in capital and surplus for the year	9,968,565	737,510	2,292,455
Capital and surplus end of reporting year	\$ 37,285,033	\$ 38,022,543	\$ 40,314,998

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to financial statements as a result of the examination.

SUBSEQUENT EVENTS

No material subsequent events were identified during the examination fieldwork.

ACKNOWLEDGEMENT

John Humphries, AES, ASA, CFE, CISA, and Mike Presley, FSA, MAAA of Risk & Regulatory Consulting, LLC (RRC), performed the actuarial review of the examination. Tom Hayden, AES, CISA, IT Manager from RRC performed the information systems review. Malis Rasmussen, MSA, CFE, SPIR, Chief Financial Examiner, supervised the examination. In addition, Ashley Bowen, former Financial Regulator, Utah Insurance Department, participated in the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Company.

Respectfully submitted,

Cambria Shore

Cambria Shore, MSA, AFE, APIR
Examiner-in-Charge
Utah Insurance Department